

Final Project

Christophe Hunt

May 13, 2017

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Pick one of the quantitative independent variables from the training data set (train.csv) , and define that variable as X.

Pick SalePrice as the dependent variable, and define it as Y for the next analysis.

1 Probability

Calculate as a minimum the below probabilities a through c.

Assume the small letter “x” is estimated as the 4th quartile of the X variable, and the small letter “y” is estimated as the 2nd quartile of the Y variable. Interpret the meaning of all probabilities.

a. $P(X > x \mid Y > y)$

b. $P(X > x, Y > y)$

c. $P(X < x \mid Y > y)$

Does splitting the training data in this fashion make them independent?

In other words, does $P(X|Y) = P(X)P(Y)$?

Check mathematically, and then evaluate by running a Chi Square test for association.

You might have to research this.

2 Descriptive and Inferential Statistics.

Provide univariate descriptive statistics and appropriate plots for both variables.

Provide a scatterplot of X and Y.

Transform both variables simultaneously using Box-Cox transformations.

You might have to research this.

Using the transformed variables, run a correlation analysis and interpret.

Test the hypothesis that the correlation between these variables is 0 and provide a 99% confidence interval.

Discuss the meaning of your analysis.

3 Linear Algebra and Correlation.

Invert your correlation matrix. (This is known as the precision matrix and contains variance inflation factors on the diagonal.) Multiply the correlation matrix by the precision matrix, and then multiply the precision matrix by the correlation matrix.

4 Calculus-Based Probability & Statistics

Many times, it makes sense to fit a closed form distribution to data. For your non-transformed independent variable, location shift it so that the minimum value is above zero.

Then load the MASS package and run `fitdistr` to fit a density function of your choice. (See <https://stat.ethz.ch/R-manual/R-devel/library/MASS/html/fitdistr.html>).

Find the optimal value of the parameters for this distribution, and then take 1000 samples from this distribution (e.g., `rexp(1000, ???)` for an exponential).

Plot a histogram and compare it with a histogram of your non-transformed original variable.

5 Modeling

Build some type of regression model and submit your model to the competition board.
Provide your complete model summary and results with analysis.

Report your Kaggle.com user name and score.

Multiply the correlation matrix by the precision matrix, and then multiply the precision matrix by the correlation matrix.